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DE RUEHTA #0618/01 0841000  
ZNR UUUUU ZZH  
R 241000Z MAR 08  
FM AMEMBASSY ASTANA  
TO RUEHC/SECSTATE WASHDC 2121  
INFO RUCPCIM/CIMS NTDB WASHDC  
RUCPDOC/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCNCIS/CIS COLLECTIVE 0457  
RUEHAK/AMEMBASSY ANKARA 2151  
RUEHBUL/AMEMBASSY KABUL 0388  
RUEHNE/AMEMBASSY NEW DELHI 0497  
RUEHAST/USOFFICE ALMATY 0338

UNCLAS SECTION 01 OF 02 ASTANA 000618

SIPDIS

DEPT FOR SCA/CEN (O'MARA)  
DEPT PASS TO OPIC - BALLINGER  
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER  
DEPT PASS TO AID - EE-PHILLIPS/RUSHING  
TREASURY FOR OASIA/VELTRI  
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS  
USDOC FOR 6110/ITA/TD/BI/RHALPERN  
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A  
TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KTDB](#) [KZ](#)  
SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, FEBRUARY 23 - MARCH 7, 2008

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¶1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been verified for accuracy.

-- Quota for Sugar Imports  
-- Financial Sector News  
-- Results of 2005 EITI Report  
-- KazMunayGas To Explore Zhambyl Block of Caspian Shelf  
-- Kazakhstan-China Joint Venture To Build Gas Pipeline

Quota for Sugar Imports

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¶12. The Government of Kazakhstan (GoK) introduced a quota of 47,000 tons on the import of sugar to be effective through October 1, 2008.

According to officials at the Ministry of Agriculture, this decision was initiated at the request of local sugar producers seeking protection from Russian dumping practices. In return, Kazakhstani sugar producers promised the GoK that they would stabilize sugar prices, satisfy local demand, and support domestic sugar beet producers.

¶13. According to Andrey Bodin, Chairman of the Union of Sugar producers of Russia, the decision to create a quota on sugar imports directly contradicts the purposes of the newly proposed customs union between Russia, Kazakhstan and Belarus. Bodin also claims this move contradicts generally existing agreements and trade practices amongst CIS countries. "Any restrictions should be preceded by preliminary investigations, and Kazakhstan should have proven the need for this quota with its trade partners. Unfortunately, it has not been done. This decision may impact the prospects of bilateral Russian-Kazakhstani trade" concluded Bodin.

Financial Sector News

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¶14. Troika Dialog, Russia's No.2 investment company, plans to buy 100% of the Kazakhstani brokerage firm Almex Asset Management. Troika Chairman Ruben Vardanian declined to comment on the price of

acquisition. Troika bought the Kazakhstani company from Almex Holding Group, which controls Kazakhstan's third-largest bank, Halyk Bank. Dinara Kulibayeva, President Nazarbayev's daughter, and her husband Timur Kulibayev, jointly own the Almex Holding Group. Almex Asset Management, set to be soon renamed Troika Dialog Kazakhstan, will provide brokerage, investment banking, asset management, private equity and other financial services.

¶ 15. Halyk Bank has reshuffled its Board of Directors. Shareholders recently elected to its Board of Directors for three-year terms Kamila Arstanbekova, Askar Yelemessov (the current head of the Almex Asset Management), Christof H. Ruhl, Grigoriy Marchenko (the CEO of Halyk Bank), Alexander Pavlov, and Kairat Satylganov. Pavlov and Ruhl were elected as independent non-executive directors. Yelemessov and Satylganov were elected as non-executive Directors, representing the interests of the Almex Holding Group.

¶ 16. According to the official website for the Kazakhstan Stock Exchange (KASE), assets of Kazakhstan-based Kazinvestbank (KIB) in early 2008 reached 57.936 billion tenge (about \$480.6 million), which is a 129% increase over their assets of 25.267 billion tenge (about \$200.9 million) a year ago. KIB's equity capital totaled 9.591 billion tenge (approximately \$78.3 million) as compared to 4.706 billion tenge (approximately \$37.3 million) in 2006. Registered capital increased 88.5% over the last year reaching 8.49 billion tenge (about \$69.3 million). In 2007, KazInvestBank's net profit stood at 936.774 million tenge (around \$7.644 million) as compared to 115.098 million tenge (approximately \$912.8 thousand) in ¶ 2006. In the summer of 2007, both the EBRD and Citigroup Venture Capital International acquired shares in Kazinvestbank.

¶ 17. The board of directors of Alliance Bank elected Yerik Sultankulov as the new CEO of Alliance Bank. Sultankulov replaced Dauren Kereybaev, who was appointed deputy CEO of Seimar Alliance Financial Corporation, a major stockholder in Alliance Bank.

#### Results of 2005 EITI Report

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¶ 18. The 2005 Extractive Industries Transparency Initiative (EITI) report audited by Deloitte was presented in Astana at the first EITI conference on February 29. Thirty-nine oil and gas companies that presented their financial reports declared \$2.588 billion in taxes paid to Kazakhstan, while the Finance Ministry showed \$2.596 billion of proceeds received. According to Vice Finance Minister Daulet Yergozhin, the difference reflects exchange rate changes and incorrect data presented by some companies.

#### KazMunayGas To Explore Zhambyl Block of Caspian Shelf

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¶ 19. Kazakhstan's national oil and gas company, KazMunayGas (KMG), will explore the Zhambyl Block of the Caspian Shelf, a block with 120 million tons of oil in probable reserves. According to Energy Minister Sauat Mynbayev, KMG will transfer a 73% stake in the project to its subsidiary, KazMunayTeniz, and 27% to the Korean National Oil Company.

#### Kazakhstan-China Joint Venture To Build Gas Pipeline

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¶ 110. KMG subsidiary KazTransGas and Trans-Asia Gas Pipeline Company Ltd, which is affiliated with the China National Petroleum Corporation, have established a joint venture, Asian Gas Pipeline LLP, to build a Kazakhstan-China gas pipeline. The first section of the pipeline with an annual transit capacity of 40 bcm of gas will extend from the Uzbekistan-Kazakhstan border via Shymkent (South Kazakhstan) to China's Khorgos. The second section, Beineu-Bozoy-Kyzylorda-Shymkent, will have a 10 bcm annual transit capacity.

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